



MINISTRY OF AGRICULTURE,
FISHERIES AND FOOD

Report of the Committee on National Stud Policy and Methods of Operation



LONDON: HER MAJESTY'S STATIONERY OFFICE

1955

SIXPENCE NET

REPORT OF THE COMMITTEE ON NATIONAL STUD POLICY AND METHODS OF OPERATION

To the Rt. Hon. D. Heathcoat Amory, M.P.,
Minister of Agriculture, Fisheries and Food.

SIR,

We were appointed by your predecessor as Minister of Agriculture and Fisheries on 6th March, 1954, to be a Committee with the following terms of reference :

“To consider whether the present policy and methods of operation of the National Stud are best suited to achieve the object of assisting in the maintenance and development of the bloodstock industry while working on a sound financial basis ; and to make recommendations.”

We submit our report.

HISTORY OF THE NATIONAL STUD

1. It will be useful to give an outline of the history of the National Stud.
2. In 1916 the late Lord Wavertree offered to present to the nation his entire stud of Thoroughbred horses on condition that the Government purchased his breeding establishment at Tully, Co. Kildare, and his training establishment at Russley Park, Wiltshire. The stud contained a number of high-class mares of the great blood lines.
3. The offer was accepted and a National Stud was created at Tully with the object of breeding the highest class of Thoroughbred horse. The training establishment at Russley Park was handed over to the War Office.
4. The main reason, or one of the main reasons, for accepting Lord Wavertree's offer and establishing a National Stud appears to have been the desire of the Government in the circumstances of the time to ensure the maintenance of first-class foundation stock for the breeding of high-quality light horses throughout the country for the cavalry.
5. With the development of mechanisation in the Army during the inter-war period the progeny of the Stud were no longer required as foundation stock for the breeding of cavalry horses. The Stud was, however, retained under successive Governments and pursued the function allotted to it of breeding the highest quality of Thoroughbreds. It was run on the lines of a private establishment, the progeny being sold, usually as yearlings, only those fillies being retained which were required for breeding. Among the horses bred were Blandford, one of the great sires in the history of the breed ; Challenger, who became a leading sire in the U.S.A. ; Royal Lancer, winner of the St. Leger ; Diligence ; Warden of the Marches ; Stardust ; Big Game ; Chamossaire ; and Blue Train. The Stud also produced two outstanding mares, Sun Chariot and Myrobella.
6. The Government's directive to the Director of the National Stud was that although the Stud should not be run primarily for profit making, it should be self-supporting. During the inter-war period the question was raised from time to time whether it was necessary or desirable for the Government to engage in the business of breeding Thoroughbreds. The attitude of successive Governments and Parliaments seems to have been that the Stud was a valuable and profitable asset and that so long as it was self-supporting it should be retained.

7. With the outbreak of the Second World War a new importance was attached by the Government to the retention of the National Stud. There was great uncertainty about the future of racing during the war and the ability of other studs to carry on. In these circumstances it was thought important to retain the National Stud as an insurance for the future of the breed. Accordingly in 1943, when the property at Tully was handed over to the Government of Eire under the Irish Treaty, a farm was acquired at Gillingham, Dorset, to which the mares were transferred. It was also decided to retain one horse, Big Game, to stand as a stallion.

8. After the war it was decided to stand more than one stallion and a property at West Grinstead was leased in 1949 to provide the necessary additional accommodation. As the pastures of both properties need to be grazed with cattle there is a breeding herd at West Grinstead; beef stores are reared there and then transferred to Gillingham for fattening.

9. The conclusion we draw from this history is that under the general directives given by successive Governments the main function of the National Stud has hitherto been to provide an addition to the output of high-quality Thoroughbreds produced by the leading breeders in this country, subject to the general directive that the Stud should financially be self-supporting.

10. No useful purpose would be served by discussing whether in the past this function was necessary or desirable, or the contribution sufficient. Since the Second World War it is recognised on all sides that a new situation has arisen. It is with present and future problems that we are concerned.

PRESENT AND FUTURE PROBLEMS

11. For many generations the quality and the prestige of the English Thoroughbred were built up by the great privately owned studs. These studs were the property of individuals who were mostly possessed of large landed estates and considerable incomes. Most of them were self-supporting; many were profitable undertakings. Their owners were, for the most part, in a financial position which enabled them to put into training most of the animals they bred; they could afford not to sell their yearlings. Moreover a well-run and well-stocked Stud Farm was a valuable inheritance, a circumstance which in those days went far to ensure continuity.

12. None of these conditions obtains today.

13. During and since the Second World War the heavy curtailment of personal incomes by increased taxation, the rating of stallion fees as a separate taxable item, death duties and other fiscal burdens have radically altered the position of the private breeder whether he is breeding to race or breeding to sell. There is no private stud in the United Kingdom where continuity on a long-term basis can be assured.

14. Moreover, with the rising costs to the breeder of producing a yearling and, to the owner who buys it, of keeping it in training, the major demand today is for horses able to win races as soon as possible. Yet in the long run the maintenance and continuous development of the bloodstock industry in this country depend on the prestige of the English Thoroughbred as a horse of the highest standard of all round excellence.

15. Unless we can continue in this country to produce horses to win the Derby, the prestige of the English Thoroughbred will decline; and foreign demand, e.g. from the U.S.A., will diminish. This in turn will reduce both the value of our exports of bloodstock and the prices of bloodstock at the sales in this country, which attract buyers today from many foreign countries in both hemispheres.

THE EVIDENCE

16. We have held 15 meetings and have taken written and oral evidence from the Council of the Thoroughbred Breeders' Association and from the Director of the National Stud. We have received written evidence from 25 individual breeders and have studied the organisation of the Irish National Stud and the French Service des Haras nationaux.

17. TOP-CLASS STALLIONS. Many different and often conflicting views were expressed to us about the utility of the National Stud and the way in which assistance could best be given by the National Stud today for the maintenance and improvement of the bloodstock industry. Apart from one or two abolitionists, there was virtual unanimity that the best service it could render would be to stand top-class stallions. It was also generally agreed that this service is urgently needed. No private breeder in this country could afford to pay or to refuse the very high prices which foreign buyers (e.g. American buyers) would pay for such a stallion. Yet if stallions of this class bred in this country were not kept in this country the prestige of the English Thoroughbred would be likely to decline.

18. The view was expressed that the maximum fee at which a stallion however outstanding would fill in this country was about 500 guineas, and that this would not be an economic fee at the price such a stallion would fetch today. It was suggested to us by other witnesses that the only way in which the National Stud could stand such a stallion on an economic basis would be by itself producing top-class stallions; and that it would then be possible to average the service fees charged, fixing the fee for the purchased stallion at a figure at which it could be filled.

19. There was general agreement that top-class stallions acquired or bred by the National Stud should stand at that Stud.

20. There was also general agreement that nominations to such stallions must be confined to approved mares and that some system of ballot from a list of such mares, though by no means a perfect system, was inevitable.

21. OTHER STALLIONS. Suggestions were made to us that the Stud should also stand a number of stallions at a wide range of fees and that such stallions should be boarded out in different parts of the country. Conversely, other witnesses were satisfied that there are at present plenty of second-class stallions available throughout the country and that no shortage was likely to arise in the future.

22. MARES AND BREEDING POLICY. A number of different views were expressed about the need for the maintenance in the National Stud of a stud of mares. Some witnesses thought that in view of the imperative need to acquire and retain for this country top-class stallions the stud of mares might be sold and the money so acquired used for the purchase of such stallions. They considered that no shortage of first-class mares in the country need be anticipated.

23. On the other hand it was suggested to us that success in maintaining and improving the English Thoroughbred depends on continuity of breeding policy based on the great blood lines of mares.

24. From the evidence we have received it is clear that, under the present Government directive that it should pay its way, the Stud has to sell most of the progeny of its mares as yearlings and that it has to keep mares other than first-class ones simply for the sake of keeping up its annual revenue to cover expenses. It has been represented that such sales compete unfairly with private breeders. However, the evidence shows that these

sales by the Stud account for only $1\frac{1}{2}$ per cent. of total yearling sales. On the other hand, other evidence shows that the necessity to sell the progeny of the mares as yearlings seriously impairs the ability of the Stud to pursue the best breeding policy and in particular to be sure that it is retaining potential top-class stallions or the best of its fillies.

ANALOGIES FROM ABROAD

25. In addition to obtaining evidence in this country we have thought it advisable to ascertain whether the experience of France and the Irish Republic in the running of national breeding establishments would be helpful to us.

26. The French Service des Haras nationaux, however, is concerned with the selection and upkeep of a total of 2,500 stallions of different breeds. Although some 60 of these are English Thoroughbreds there is no National Stud centre specialising in the breeding of Thoroughbred horses and we could find nothing in the French system analogous to our own. The Irish National Stud was established after the Tully property had been handed over to the Government of the Irish Republic and in many ways its operations are similar to those of the British National Stud. However, we do not think that the Irish system of running their Stud by a Company incorporated for the purpose is either necessary or desirable in this country. Taxation alone would prove an insurmountable financial difficulty in operating the Stud on such lines. On the other hand, a study of the method of presenting the accounts of the Irish National Stud suggests useful points which are dealt with in paragraph 37.

GENERAL CONCLUSIONS

27. In the light of all the evidence examined we have unanimously arrived at the following general conclusions on the points referred to us in our terms of reference :

“Whether the present policy and methods of operation of the National Stud are best suited to achieve the object of assisting in the maintenance and development of the bloodstock industry while working on a sound financial basis ; and to make recommendations.”

28. We find that great changes have occurred in the industry as a whole since the War. Therefore we consider that the policy and methods of operation of the Stud should be revised in the light of present-day needs of the industry, and that appropriate financial arrangements be made to make a new policy effective. Our financial recommendations, which require to be married to the purpose and policy, are dealt with in paragraphs 35-39. These recommendations postulate the retention of both the Gillingham and West Grinstead establishments.

29. THE NEED FOR A NATIONAL STUD. If there were no National Stud, it would today be necessary to create one for the following major reasons of national importance :

- (1) The risk of the best English bloodstock being drained away from this country has always been present. Today this risk has become menacing, because of the disproportion between the price here of a high-class yearling and the value of the stakes that can be won by it (a) in the United Kingdom and (b) abroad, particularly in the U.S.A. This means that the service fees which a top-class

stallion can earn in the U.S.A. are much higher than those it can earn in this country, and only a National Stud can afford to pay or to refuse to take the prices now commanded by such stallions.

- (2) The maintenance at a steady level of our export trade in bloodstock, currently estimated to bring in between £1,500,000 and £2,000,000 per annum, depends on the retention of the best foundation stock.
- (3) A wide field of employment, a vast field of public interest and entertainment, and considerable revenue to the Exchequer are intimately bound up with the continuous production of race-horses of the highest class.

30. RECOMMENDATIONS OF THE COMMITTEE

(A) *Purpose*

We are of opinion that the prime requirement is a clear definition of the purpose for which the National Stud is maintained. We recommend that this purpose should be defined as follows :

“To give the maximum help in order to ensure that the breeding of the English Thoroughbred horse is maintained at the same level of excellence that has gained for it a worldwide reputation.”

(B) *Policy*

The policy to achieve this purpose should be :

- (1) to stand at the National Stud one or more stallions of the very highest class as and when such horses become available.*
- (2) to maintain in the Stud an establishment of about fifteen mares representing a number of the best blood lines, to ensure that there is one establishment in this country where continuity in the breeding of the highest quality of bloodstock can be assured. The produce should as far as possible be put into training ; not sold as yearlings or before their merit for future breeding can be properly assessed.

(C) *Administration*

A standing committee to be appointed to assist the Director in advising the Minister on the acquisition and disposal of bloodstock.

(D) *Nominations*

Nominations to the Stud's top-class stallions to be confined as at present to approved mares with a system of ballot.

(E) *Finance*

Our financial recommendations to enable the purpose and policy defined above to be put into effect are set out below.

FINANCE

31. The financial recommendations made below should be read in the light of the following facts and considerations which we have taken into account :

- (i) The purpose and policy recommended by us in paragraph 30 involve an adjustment in the directive under which the Stud has heretofore been operating. Our recommendation sets a new policy which requires a new financial approach to enable that policy to be effectively carried out.

* Any other horse bred at the Stud that would readily fill might be retained.

- (ii) A close scrutiny of the accounts of the Stud from its inception to date shows that the administration of the Stud has fully carried out the general directive under which it has operated (paragraph 6), namely, that although the Stud should not be run primarily for profit making, it should be self-supporting. The figures show that it has been self-supporting, and has in fact accumulated profits and reserves.
- (iii) Our terms of reference contain the words "while working on a sound financial basis". In view of the policy we recommend, it is necessary to make some qualification in the matter of our financial proposals conforming to a reasonable interpretation of "a sound financial basis". Any interpretation of such a requirement for the National Stud on the lines proposed by us must take into account the fact that the failure of a purchased stallion is a risk inherent in the Stud business which no financial structure should ignore, but against which no financial structure can wholly provide. Loss by death is provided for on an insurance basis under the existing arrangements by means of annual premia debited to Trading Account. The failure of a purchased stallion is a loss which can only be provided for out of profits and reserves over a period of years.
- (iv) The existing accommodation of the Stud is capable of standing three stallions at West Grinstead and one stallion at Gillingham. The capital programme for the Stud and the Farm will be completed by the end of 1955. Thereafter Exchequer (Capital) Account is unlikely to rise appreciably. It is secured on the Gillingham property.
- (v) We have made a careful review of the Stud's finances and development from its inception to date. In particular, we observe that in the last ten years the Stud has bred and stood a high-class stallion, has purchased two stallions, has suffered a substantial loss on one of the purchased stallions, and has built up its income from sales of yearlings, and its number of animals to sixty-three. During this period also a pedigree herd of cattle has been built up and the property generally has been put into good condition.
- (vi) From the financial angle as at 31st December, 1953, the following figures (to nearest £1,000) are material :
- (a) The accumulated profit on Profit and Loss Account is £126,000.
 - (b) *Exchequer (Capital) Account* shows an investment of £114,000 secured on the Gillingham property.
 - (c) *Exchequer (Revenue) Account* shows a balance in favour of the Stud of £79,000.
 - (d) The difference between (b) and (c), £35,000, represents the *net Exchequer investment in the Stud.*
 - (e) The net Exchequer investment of £35,000 is secured by land and buildings at cost less depreciation £103,000, bloodstock and farm stock at book value £89,000, total £192,000.

In addition there is a hidden reserve represented by the difference between the book value and the valuation (market) value of bloodstock of £232,000.

These results have been achieved after conceding to breeders the benefit of some £50,000 represented by standing Big Game at fees lower than could have been obtained throughout his period of service at the Stud.

- (vii) For the years 1954 and 1955 on the existing basis of the Stud it is estimated that there will be no loss to the Exchequer on the Profit and Loss Account for the two years taken together.

32. FINANCIAL PROPOSALS. We consider that henceforth the financial working of the Stud and the policy should be reviewed over periods of 8 years ; this in our opinion is the appropriate term for realistic assessment of the financial operation of the Stud.

33. If the policy we recommend is put into effect, the change-over will probably be carried out in stages. It will involve :

- (a) A loss of *annual* revenue, due to the reduction in the number of yearlings for sale.
- (b) The reinvestment by the Exchequer of some of the accumulated profits and reserves of the Stud for the purchase of top-class stallions.
- (c) Provision in the financial arrangement for the Ministry to purchase such a stallion at short notice.

34. Our financial proposals are designed to take care of all the above necessary conditions. They are also designed to set reasonable limits to the maximum investment by the Exchequer on the one hand, and on the other to provide reasonable safeguards for the Stud to be economically administered in accordance with the policy we recommend within these limitations.

35. RECOMMENDATIONS. We present our recommendations framed in a manner related to the accounting system of the Stud in order to demonstrate the relationship between the further investment by the Exchequer and the security for such further investment. We appreciate the fact that the form in which the money for such further investment will be found will have to conform to Parliamentary requirements under Governmental financial arrangements. The purpose of our presentation is to provide the necessary supporting evidence, based on the accounting system of the Stud, of the amounts available for, and of the limitations which can be set to, such further investment.

We have assumed that the service fees to be charged by the Stud will be the best obtainable.

We have not taken into account any surplus from the sale of mares. This surplus may be required to purchase new mares for the Stud. We have, however, assumed that there will be no additional finance required for this particular reorganisation.

36. The financial structure of the Stud will be affected in two ways—both on Exchequer (Revenue) Account :

1. *Loss of revenue*

The annual loss of revenue due to the reduction in the number of yearlings for sale cannot be offset by any corresponding savings in establishment costs. The loss is likely to prove heaviest in the early years, and possibly less heavy in subsequent years when the new policy has had time to operate fully.

We recommend that the Exchequer should be prepared to meet such losses up to a maximum of £15,000 in any one year for a period of 10 years. The period of 10 years is designed to overlap the 8-year review, and to enable a new financial appraisal to be made in the light of this review for the next period.

II. *Purchase of stallions*

We recommend that funds required for the purchase of one or more top-class stallions be provided by permitted drawing on Exchequer (Revenue) Account for this purpose, subject to certain limitations. These limitations should be considered in relation to the accumulated profits and reserves of the Stud as if these represented the security that would have been available if the Stud were an outside organisation borrowing from the Treasury.

This proposal is in effect a limited ploughing back by the Exchequer of a part of the accumulated profits and reserves of the Stud. The following example is taken from the Balance Sheet as at 31st December, 1953, to illustrate the security at that date for an overdraft of £150,000 on Exchequer (Revenue) Account. It ignores the fact that at that date Exchequer (Revenue) Account showed a balance in favour of the Stud of some £79,000. It assumes that this balance is turned into a balance against the Stud of £150,000 without any additional assets being created by the expenditure of £229,000. It therefore provides a hidden reserve which is not taken into account.

<i>At 31.12.53</i>	<i>Exchequer (Revenue) Account</i>	<i>Balance against the Stud</i>
		<i>£150,000</i>
<i>Secured by</i>		
(a) Bloodstock at Book Value ...	£67,611	
(b) Farm Stock at Book Value ...	£21,808	
	<hr/>	
	(a) + (b)	£89,419
(c) <i>Difference between Bloodstock</i>		
At book value	£67,611	
At Valuation (Market) Value	£300,400	
	<hr/>	
	(c)	£232,789
<i>Security</i>	(a) + (b) + (c)	<hr/> £322,208 <hr/>

Thus at that date an Exchequer overdraft of £150,000 would have been secured on the above basis with a margin of over 100 per cent. In addition, there would have been the assets created by the additional expenditure of £229,000 referred to above.

To ensure that the 1953 Balance Sheet figures were not exceptionally favourable we examined similar figures compiled from the 1948 Balance Sheet, when the previous quinquennial valuation of bloodstock was made. The figures for 1948 showed an even greater margin of security than those for 1953.

37. **FORMAT OF THE STUD ACCOUNTS.** In paragraph 26 of our Report, we referred to our examination of the Accounts of the Irish National Stud. As a result of that examination we consider that the form in which the Stud Accounts have hitherto been prepared could with advantage be amended. We therefore submit the 1953 Stud Accounts in a new format which we consider would be helpful to the Minister and to the Director. [Appendices A-F not printed.] We recommend that accounts in future be prepared on similar lines.

38. VALUATION OF BLOODSTOCK. Hitherto it has been customary to have a valuation of bloodstock made once every five years. We recommend that a valuation of bloodstock in future be made each year, and that the valuation figure be written on the face of the Balance Sheet.

39. SUMMARY OF FINANCIAL RECOMMENDATIONS. We summarise our recommendations as follows:

- (A) *Losses on the Stud Profit and Loss Account* to be met by the Exchequer subject to a maximum of £15,000 in any one year for a period of 10 years.
- (B) *Funds for the purchase of top-class stallions* to be provided by drafts on Exchequer (Revenue) Account for that purpose.
- (C) The new *format for the Stud Accounts* to be adopted.
- (D) *A valuation of bloodstock* to be made each year.

CONCLUSION

40. If our main thesis be conceded that the National Stud ought, in the changed circumstances of today, to play a more active and positive part than hitherto in maintaining and improving the English Thoroughbred horse, as a matter of national interest and national prestige, the means must be willed as well as the end.

41. The principle that we advocate is that of ploughing back some of the accumulated profits and reserves into the enterprise; and a flexible system whereby funds can be made promptly available for the purchase of top-class stallions, as and when the responsible Minister shall decide to buy them.

42. It cannot be denied that there is always a risk in the purchase of a high-priced stallion.

43. It equally cannot be denied that there would be a certainty of profit if a stallion of the requisite class could be bred by the National Stud and stood there.

44. The recommendations that we make as regards the equine establishment of the Stud are designed with a view to increase the likelihood of breeding top-class stallions.

We have the honour to be,

Sir,

Your obedient Servants,

(Sgd.) PERCY LORAINÉ (*Chairman*).

(Sgd.) EVELYN BUNBURY.

(Sgd.) DONALD FERGUSON.

(Sgd.) FRANCIS WEATHERBY.

(Sgd.) G. R. WOODWARD (*Secretary*).

3rd May, 1955.